

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

RIVERO CPA, L.L.C. (CRD # 129783) and :

LOURDES RIVERO (CRD # 4739232) :

:
:
:
AMENDED ORDER FOR
MONETARY PENALTIES
BY CONSENT

Ms. Lourdes Rivero
Rivero CPA, L.L.C.
414 Central Avenue
Westfield, NJ 07090

Pursuant to the authority granted to the Chief of the New Jersey Bureau of Securities ("Bureau") by the Uniform Securities Law (1997) of New Jersey, N.J.S.A. 49:3-47 et seq. ("Law"), after careful review and due consideration of the facts set forth below, and consideration of the Order for Monetary Penalties entered against Rivero CPA, L.L.C. and Lourdes Rivero dated November 7, 2005, the Bureau Chief has determined that good cause has been shown to assess civil monetary penalties.

BACKGROUND

1. Lourdes Rivero ("Rivero"), CRD # 4739232, the sole owner and principal of Rivero CPA, L.L.C. ("Rivero CPA"), CRD# 129783, is currently employed as an Investment Adviser Representative by Rivero CPA.
2. Rivero CPA is currently located at 414 Central Avenue, Westfield, NJ 07090. Rivero CPA has been registered with the Bureau as an Investment Adviser since January 23, 2001. Rivero CPA was located at 240 Summit Road, Mountainside, New Jersey at the time of the Bureau's examination.
3. Rivero has been registered with the Bureau as an Investment Adviser Representative since August 17, 2004.
4. Rivero CPA offers clients investment advisory services. It also offers tax and accounting services, as Rivero is a certified public accountant. Rivero also refers clients to Mountainside Mortgage for mortgage refinancing.
5. Rivero maintains solicitation agreements with Citigroup Global Markets, Inc. and Wachovia Securities.

6. Rivero, acting on behalf of Rivero CPA, refers clients to these firms to have their money managed through wrap accounts.
7. Rivero, acting on behalf of Rivero CPA, earns a percentage of the fee collected by the representative managing the account for each account she refers.
8. Rivero, acting on behalf of Rivero CPA, has referred a total of eight clients to Citigroup and Wachovia. She works with Peter Denoyers (CRD# 1179222) at Citigroup and Brian Kerwin (CRD# 717192) at Wachovia.
9. Rivero CPA employs two individuals, neither of whom are registered with the Bureau in any capacity: George Antwi acts as a staff accountant; Melissa Dilone is a clerical assistant.
10. Rivero CPA also utilizes two outside contractors for bookkeeping and development of business plans: Patricia Diesel and Diana Waltsak.
11. Rivero is the only individual employed by Rivero CPA who is registered with the Bureau in any capacity.

BUREAU'S EXAMINATION OF RIVERO CPA

12. On May 26, 2004, Bureau investigators conducted an examination of Rivero CPA.
13. During the examination, investigators discovered that Rivero had failed to provide her clients with Form ADV II, or any document containing such information, as required by Rule 204-3(a) of the Investment Advisers Act of 1940.
14. In addition, Rivero's Form ADV Part II failed to disclose the solicitation agreements she maintained with Wachovia and Citigroup. It also failed to disclose the referral arrangement she maintained with Mountainside Mortgage.
15. The investigators discovered that Rivero failed to update her Form ADV Part I by not disclosing her personal investment adviser registration information (Form U-4) on the IARD.
16. Rivero was advised by the Bureau Investigators of this requirement during the examination.
17. Approximately one month later, Rivero still had not posted the U-4 on the IARD. After a phone call by a Bureau investigator, the U-4 was finally posted.
18. During the examination of Rivero CPA, Bureau investigators requested the complaint file and the advertising file for inspection. Rivero CPA failed to maintain either of these files for direct inspection. This is a direct violation of N.J.S.A. 49:3-59(b), which requires investment advisers to make and keep "accounts correspondence, memoranda, papers, books and other records" accessible to the Bureau. However, Rivero was able to provide investigators with a copy of advertising material that had been previously provided to the Bureau.
19. Rivero indicated during the examination that there were no customer complaints, but without a complaints file, this could not be verified.
20. Upon a review of Rivero CPA's customer contracts, investigators found that the contracts did not comply with N.J.S.A. 49:3-53(b)(1), N.J.S.A. 49:3-53(c) and N.J.S.A. 49:3-59(e), which provide that it is unlawful for an investment adviser to enter into, extend or renew any investment advisory contract unless it provides in writing that no assignment may be made by the investment adviser without the client's consent. The customer contracts

related to the matter at hand violated N.J.S.A. 49:3-53(b)(1), since they did not contain an assignment clause or a confidentiality clause. In addition, the customer contracts failed to specify fees charged to the client, which is a violation of N.J.S.A. 49:3-53(c).

21. Pursuant to N.J.S.A. 49:3-59(e), the Bureau is to receive copies of client contracts, if they contain material changes, when the annual registration fees are submitted. The initial contract that the Bureau received with Rivero CPA's registration contained all the necessary clauses, whereas the contracts reviewed at the examination did not.

FAILURE TO PROVIDE CLIENTS WITH THE FORM ADV PART II

N.J.S.A. 49:3-53(a)(3)

22. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.
23. Pursuant to N.J.S.A. 49:3-53(a)(3), it is unlawful for anyone engaged in the investment advisory business "to engage in dishonest or unethical conduct as the bureau chief may by rule define in a manner consistent with and compatible with the laws and regulations of the Securities and Exchange Commission ..."
24. Rivero CPA failed to provide clients with the Form ADV Part II, as required by Rule 204-3 of the Investment Advisers Act of 1940.
25. The foregoing conduct violated N.J.S.A. 49:3-53(a)(3), as Rivero CPA's failure to provide the Form ADV Part II to its customers violated Rule 204-3 of the Investment Advisers Act of 1940, and therefore constituted dishonest and unethical conduct.

FAILURE TO FILE AN AMENDMENT TO FORM ADV PARTS I AND II CORRECTING MATERIALLY INCOMPLETE AND INACCURATE INFORMATION

N.J.S.A. 49:3-59(e)

N.J.A.C. 13:47A-2.5

26. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.
27. Pursuant to N.J.S.A. 49:3-59(e), if any information in any document filed with Bureau becomes materially incomplete or inaccurate, the registrant is to file an amendment correcting the information.
28. Pursuant to N.J.A.C. 13:47A-2.5, a registered investment adviser is required to have a complete and current Form ADV on file with the Bureau.
29. The foregoing conduct by Rivero, on behalf of Rivero CPA, of failing to disclose the solicitation agreements on the Form ADV Part II and the failure to file an amendment to Form ADV Part II, violated N.J.S.A. 49:3-59(e) and N.J.A.C. 13:47A-2.5, as she failed to update her Form ADV Part II and file an amended form with the Bureau.
30. The foregoing conduct by Rivero of failing to disclose her investment adviser registration on the Form U-4 violated N.J.S.A. 49:3-59(e) and N.J.A.C. 13:47A-2.5, as she failed to update her Form ADV Part I and file an amended form with the Bureau.

FAILURE TO PROVIDE THE BUREAU WITH UPDATED ADVISORY CONTRACTS

N.J.S.A. 49:3-59(e)

31. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.
32. Pursuant to N.J.S.A. 49:3-59(e), if any information in any document filed with the Bureau becomes materially incomplete or inaccurate, the registrant is to file an amendment correcting the information.
33. The foregoing conduct by Rivero, as principal of Rivero CPA, of failing to provide the Bureau with updated advisory contracts that reflected the solicitation agreements, violated N.J.S.A. 49:3-59(e), as it rendered the prior document filings materially incomplete or inaccurate.

FAILURE TO MAINTAIN CUSTOMER COMPLAINT AND ADVERTISING FILES

FOR INSPECTION

N.J.S.A. 49:3-59(b)

N.J.S.A. 49:3-57(a)(6)

N.J.A.C. 13:47A-2.6

N.J.A.C. 13:47A-2.6A

34. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.
35. Pursuant to N.J.S.A. 49:3-59(b), investment advisers are to make and keep "accounts correspondence, memoranda, papers, books and other records" accessible to the Bureau.
36. Pursuant to N.J.S.A. 49:3-57(a)(6), investment advisers are to provide to the Bureau copies of any information or brochure used by the adviser.
37. Rivero, as principal of Rivero CPA, failed to maintain a complaint file and an advertising file, and as such they were not accessible by the Bureau during the examination.
38. The foregoing conduct by Rivero and Rivero CPA of failing to maintain the proper books and records in an accessible manner is a violation of N.J.S.A. 49:3-59(b).
39. The foregoing conduct by Rivero and Rivero CPA of failing to maintain advertising material and to submit it to the Bureau is a violation of N.J.S.A. 49:3-57(a)(6).

**RIVERO AND RIVERO CPA FAILED TO INCLUDE THE NECESSARY
DISCLOSURES IN THE ADVISORY CONTRACTS**

N.J.S.A. 49:3-53(b)(1)

N.J.S.A. 49:3-53(c)

40. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.
41. Pursuant to N.J.S.A. 49:3-53(b)(1), it is unlawful for an investment adviser to enter into, extend or renew any investment advisory contract unless it provides in writing that (1) "no assignment of the contract may be made by the investment adviser without the consent of the other party to the contract."

42. Pursuant to N.J.S.A. 49:3-53(c) it is unlawful for an investment adviser "to enter into, extend or renew any investment advisory contact, unless it provides in writing that the investment adviser shall not be compensated on the basis of share of capital gains or capital appreciation of the funds or any portion of the funds of the client."
43. Upon review of Rivero CPA's investment advisory contracts, Bureau investigators found no assignment clause, and no specification of fees charged to the client.
44. The foregoing conduct by Rivero and Rivero CPA are violations of N.J.S.A. 49:3-53(b)(1) and N.J.S.A. 49:3-53(c).

CONCLUSION

For the reasons stated above, it is on this 13th day of April 2006 ORDERED that Rivero CPA, L.L.C. is assessed a civil monetary penalty in the amount of \$2,500.00 (Two Thousand Five Hundred Dollars), which shall be paid to the Bureau upon execution of this order.

This ORDER supersedes the ORDER FOR MONETARY PENALTIES entered in this matter by the Bureau Chief of the Bureau of Securities on November 7, 2005. The November 7, 2005 ORDER FOR MONETARY PENALTIES shall be and is vacated upon entry of this ORDER.

BY: Franklin L. Widmann
Franklin L. Widmann
Chief, Bureau of Securities

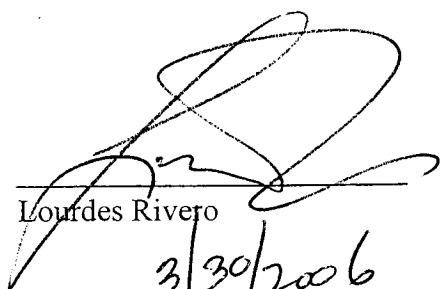
We consent to the form and entry of this Consent Order:

Rivero CPA, L.L.C.

By: 

3/30/06
(Date)

I consent to the form and entry of this Consent Order:



Lourdes Rivero

3/30/2006

(Date)